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Secretary

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Deputy Secretary

October 5, 2006

TO: Department State Agency Fleet Managers and Chief Financial Officers

FROM: Larry Williams, State Fleet Administrator

SUBJECT: 2006 Internal Revenue Service (IRS) Vehicle Fringe Benefit Program

Employees who commute (i.e. travel between a work location and home) in a State vehicle are required by IRS regulations to report such vehicle use as part of their gross income. This requirement applies to employees who pay the State commute charge as well as those whom the State exempts from paying commute charges. The exceptions are those employees who:

- (1) commute on an occasional or infrequent basis such as once a month or less (*de minimus* personal use),
- (2) commute from a qualified home office that serves as the employee's principal place of business, or
- (3) commute in a "qualified non-personal use vehicle" (as defined by the IRS and certified by the State agency).

All other State employees who use a State vehicle to commute from home to the office must complete the Vehicle Fringe Calculation/Reporting Form, which is provided as Attachment 2. Attachment 1 provides instructions for completing this form.

Employees who are exempt from reporting because their only use of the State vehicle is for commuting to business locations from a home office that qualifies as a principal place of business (see Attachment 3) must file a certification which is provided as Attachment 4. Additionally, agencies must certify qualified non-personal use status of a State vehicle (see Attachments 5 and 6) in order for an employee who commutes in such vehicle to be exempt from reporting.

The reporting period for the 2006 IRS Vehicle Fringe Benefit Program is November 1, 2005 to October 31, 2006. The enclosed attachments provide the information necessary to comply with IRS regulations. Please ensure that each employee in your agency who commuted in a State vehicle during the reporting period receives a copy of this memo with all attachments and completes the reporting requirements. Affected employees may be identified using the WebFleetMaster Driver Data Report (for commuters who are assigned a vehicle) or agency vehicle mileage logs (for commuters using pool vehicles).

Agencies are required to certify that all employees who are required to report have received the required information and submitted the report (see Attachment 7). Additionally, agencies must review the completed reports to ensure that they are accurate and have been signed by the employee before submitting them to DBM. **FAXED COPIES WILL NOT BE ACCEPTED.**

Employees are reminded that they are responsible to the IRS for submission of accurate information to their employer. The agency is to forward complete forms to the Department of Budget and Management, Fleet Administration Unit **on or before November 17, 2006.** This deadline is important because late forms may result in amended W-2s, may cause employees to file an amended tax return, and may cost agencies for employee F.I.C.A. taxes that become uncollectible.

Questions regarding Auto Fringe may be directed to the DBM Fleet Administration Unit at 410-260-7525. Thank you for your assistance with this matter.

Attachments:

Attachment 1 - Vehicle Fringe Benefit Calculation Rules and Procedures

Attachment 2 - Vehicle Fringe Value Calculation & Reporting Form

Attachment 3 - The Home Office and Its Commute Reporting Exception

Attachment 4 - Home Office Certification

Attachment 5 - IRS Qualified Non-Personal Use Vehicles

Attachment 6 - Agency Certification of IRS Qualified Non-Personal Use Vehicle

Attachment 7 - Agency Certification of the Vehicle Fringe Reporting Process for the 2005 Reporting Period

cc: The Honorable Cecilia Januszkiewicz, Secretary, Budget & Management Ms. Mary Naramore, Director, Procurement Policy & Administration